

PRESCOTT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2006

TABLE OF CONTENTS

| | | |
|---|-----------------|------------------|
| Officials | | <u>Page</u> 2 |
| Independent Auditor's Report | | 3-4 |
| Management's Discussion and Analysis (MD&A) | | 5-13 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statements: | | |
| Statement of Net Assets | A | 15 |
| Statement of Activities | B | 16-19 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 20 |
| Reconciliation of the Balance Sheet - | | |
| Governmental Funds to the Statement of Net Assets | D | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 22 |
| Reconciliation of the Statement of Revenues, Expenditures And Changes | | |
| in Fund Balances - Governmental Funds To the Statement of Activities | F | 23 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Assets | G | 24 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | H | 25 |
| Statement of Cash Flows | I | 26 |
| Fiduciary Fund Financial Statements: | | |
| Statement of Fiduciary Net Assets | J | 27 |
| Notes to Financial Statements | | 28-36 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and | | |
| Changes in Balances - Budget and Actual (Cash Basis) - | | |
| All Governmental Funds and Proprietary Fund | | 38 |
| Budgetary Comparison Schedule - Budget to GAAP Reconciliation | | 39 |
| Notes to Required Supplementary Information - Budgetary Reporting | | 40 |
| | <u>Schedule</u> | |
| Other Supplementary Information: | | |
| Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund | 1 | 42 |
| Schedule of Revenues by Source and Expenditures by Function - | | |
| All Governmental Funds | 2 | 43 |
| Schedule of Changes in Special Revenue Fund – Student Activity Accounts | 3 | 44 |
| Independent Auditor's Report on Internal Control over Financial Reporting | | |
| and on Compliance and Other Matters Based on an Audit of Financial | | |
| Statements Performed in Accordance with Government Auditing Standards | | 45-46 |
| Schedule of Findings | | 47-48 |

PRESCOTT COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|------------------------------|---------------------|
| Board of Education (Before September, 2005 Election) | | |
| Kathy West | President | 2007 |
| Randy Cooper | Vice President | 2006 |
| Kevin Schafer | Board Member | 2007 |
| John Roberts | Board Member | 2005 |
| Marnie Cline | Board Member | 2005 |
| Board of Education (After September, 2005 Election) | | |
| Randy Cooper | President | 2006 |
| Marnie Cline | Vice President | 2008 |
| John Roberts (resigned 10/17/05) | Board Member | 2008 |
| Matt Wood (appointed 10/17/05) | Board Member | 2008 |
| Kevin Schafer | Board Member | 2007 |
| Kathy West | Board Member | 2007 |
| School Officials | | |
| Eric Wood | Superintendent | 2006 |
| Steve Callison | Superintendent | 2007 |
| Melissa Baker | District Secretary/Treasurer | 2006 |
| Reynoldson, Van Werden & Reynoldson, LLP | Attorney | 2006 |



Independent Auditor's Report

To the Board of Education
Prescott Community School District
Prescott, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Prescott Community School District, Prescott, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Prescott Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued our reports dated August 1, 2006, on our consideration of the Prescott Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prescott Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

August 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prescott Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$928,422 in fiscal 2005 to \$954,648 in fiscal 2006, while General Fund expenditures increased from \$963,811 in fiscal 2005 to \$979,597 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$216,747 in fiscal 2005 to \$191,798 in fiscal 2006, an 11.5 percent decrease from the prior year.
- The increase in General Fund revenues was attributable mainly to an increase in state aid, open enrollment, interest, and contributions. The increase in expenditures was due primarily to an increase in health insurance benefits, utilities, and fuel costs.
- The District began receiving local option sales tax money in fiscal 2004 and has continued updating the school and grounds. The district used this money in fiscal year 2005 for repairing and replacing the final of our aging roofs, stage and library remodeling, and new bus barn doors.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

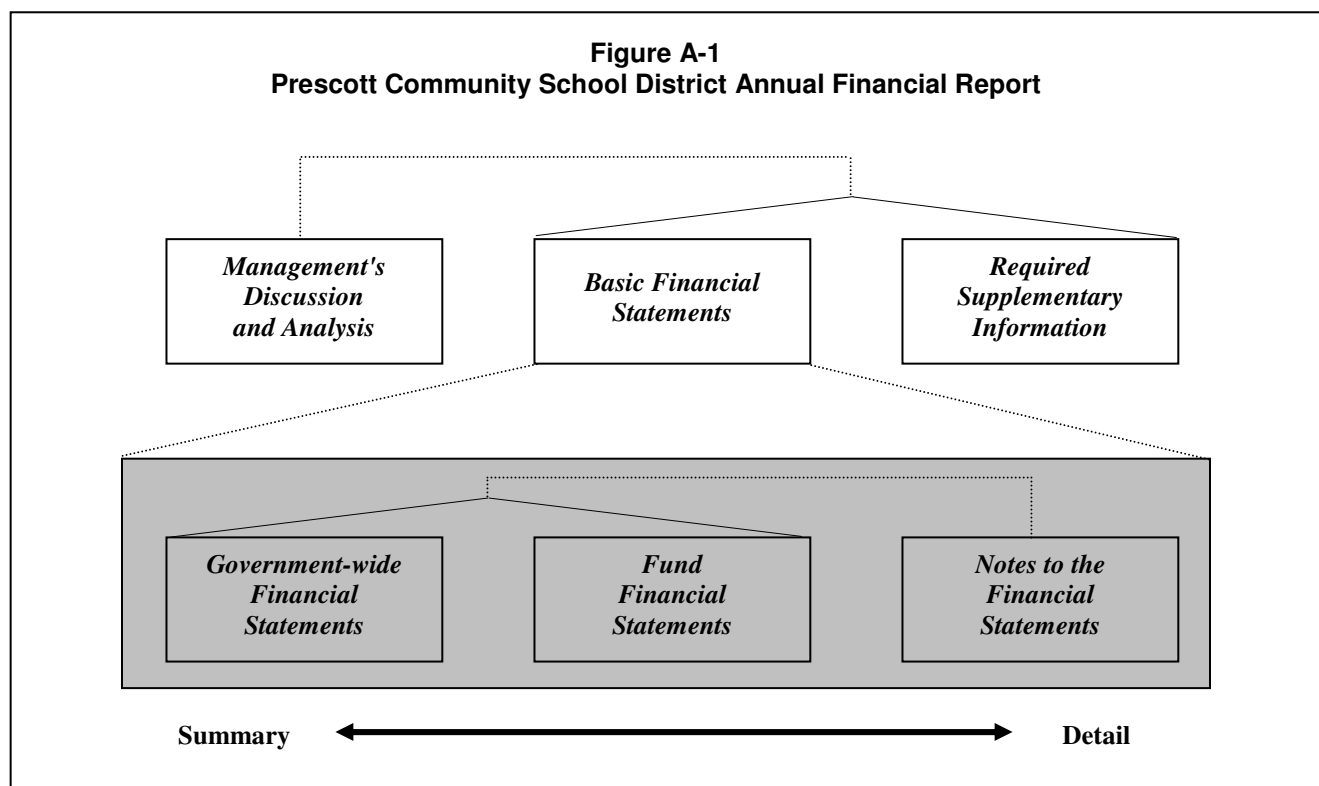


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2
Major Features of the Government-Wide and Fund Financial Statements**

| | Government-wide Statements | Fund Statements | | |
|--|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services and adult education | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • State of revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as the Parent-Teacher Organization (PTO) Funds.
 - Parent-Teacher Organization (PTO) Funds – The District accounts for assets belonging to the Parent-Teacher Organization in this fund.
 - Employee Funds – The District accounts for assets belonging to the Employees of the school in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to 2005.

| Figure A-3 Condensed Statement of Net Assets | | | | | | | |
|--|----------------------------|------------------|-----------------------------|--------------|------------------|------------------|-----------------|
| | Governmental Activities | | Business Type Activities | | Total | | Total Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| Current and other assets | \$ 773,721 | 768,005 | 6,222 | 3,620 | 779,943 | 771,625 | 1.1% |
| Capital assets | 386,576 | 323,944 | 1,548 | 1,903 | 388,124 | 325,847 | 19.1% |
| Total assets | 1,160,297 | 1,091,949 | 7,770 | 5,523 | 1,168,067 | 1,097,472 | 6.4% |
| Other liabilities | 442,852 | 435,436 | 2,001 | 1,949 | 444,853 | 437,385 | 1.7% |
| Total liabilities | 442,852 | 435,436 | 2,001 | 1,949 | 444,853 | 437,385 | 1.7% |
| Net assets | | | | | | | |
| Invested in capital assets, net of related debt | 386,576 | 323,944 | 1,548 | 1,903 | 388,124 | 325,847 | 19.1% |
| Restricted | - | 2,484 | - | - | - | 2,484 | |
| Unrestricted | 330,869 | 330,085 | 4,221 | 1,671 | 335,090 | 331,756 | 1.0% |
| Total net assets | \$ 717,445 | 656,513 | 5,769 | 3,574 | 723,214 | 660,087 | 9.6% |

The District's combined net assets increased by 9.6% to \$717,445. Total assets for governmental activities increased by 19.33%. This was mainly due to an increase in capital assets. Total liabilities for governmental activities increased by 1.70%. This was due to an increase in deferred property tax revenue for the succeeding year.

The net assets of the District's business type activities increased by 61.42%, which is due to transfers from the General Fund to the Lunch fund to cover substitute salaries.

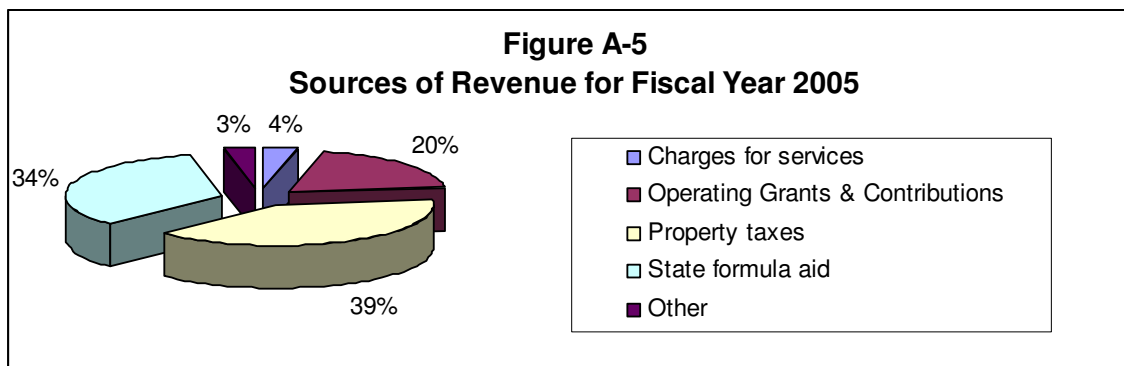
Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2006. The total revenue for the District's governmental activities increased by 6.24%. Program revenues increased due to an increase in operating grants, open enrollment revenue, and contributions. The increase in general revenues were mainly attributable to increases in property tax revenue and state aid. The total expenditures for the District's governmental activities decreased slightly by 0.36%.

The total revenue for the District's business type activities increased by 41.75%. Most of this increase was attributable to a reimbursement from the insurance company for worker's compensation claim. Total expenses for the District's business type activities increased 38.06%. This increase was also attributable to paying a substitute cook while an employee was on leave.

| Figure A-4 | | | | | | |
|---|---------------------------------|-------------|---------------------------------|-------------|---------------------------------|-------------|
| Changes in Net Assets | | | | | | |
| | Governmental Activities | | Business Type Activities | | Total District | |
| | Year ended June 30, 2006 | 2005 | Year ended June 30, 2006 | 2005 | Year ended June 30, 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for service and sales | \$ 31,785 | 18,524 | 8,317 | 8,571 | 40,102 | 27,095 |
| Operating grants, contributions and restricted interest | 205,343 | 186,100 | 13,706 | 13,276 | 219,049 | 199,376 |
| General revenues: | | | | | | |
| Property tax | 443,593 | 433,619 | - | - | 443,593 | 433,619 |
| Unrestricted states grants | 383,918 | 373,743 | - | - | 383,918 | 373,743 |
| Unrestricted investment earnings | 18,528 | 9,745 | 20 | 3 | 18,548 | 9,748 |
| Other | 8,665 | 5,999 | 8,983 | 38 | 17,648 | 6,037 |
| Total revenues | 1,091,832 | 1,027,730 | 31,026 | 21,888 | 1,122,858 | 1,049,618 |
| Program expenses: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction | 611,643 | 676,969 | - | - | 611,643 | 676,969 |
| Support services | 369,061 | 309,168 | - | - | 369,061 | 309,168 |
| Non-instructional programs | - | 288 | 34,831 | 25,229 | 34,831 | 25,517 |
| Other expenses | 44,196 | 42,173 | - | - | 44,196 | 42,173 |
| Total expenses | 1,024,900 | 1,028,598 | 34,831 | 25,229 | 1,059,731 | 1,053,827 |
| Transfers between governmental and business | (6,000) | (3,000) | 6,000 | 3,000 | - | - |
| Change in net assets | \$ 60,932 | (3,868) | 2,195 | (341) | 63,127 | (4,209) |

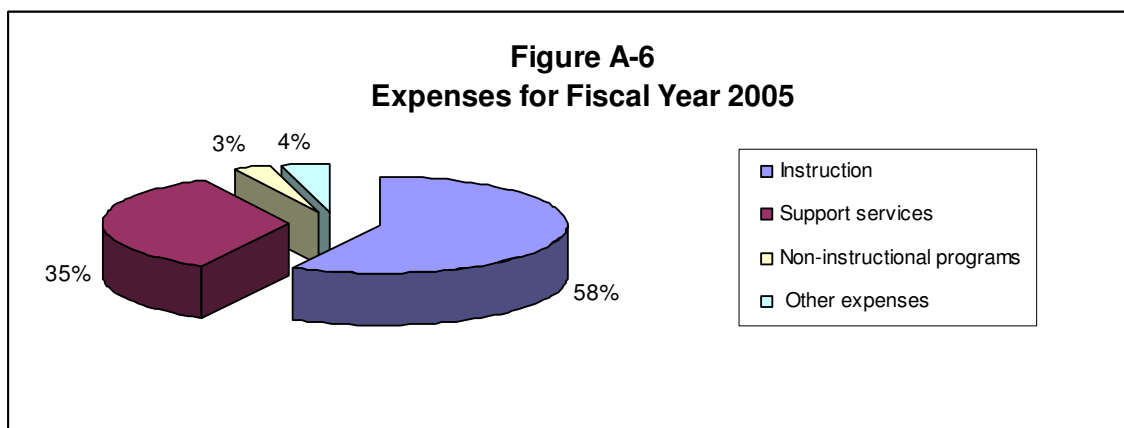
As shown in Figure A-4, property tax and unrestricted state grants account for 75.79% of the funding for governmental activities, while charges for services and operating grants and contributions make up 70.98% of the funding for business-type activities. The District's expenses primarily relate to instruction and support services, which account for 95.69% of the total expenses.

Figure A-5 shows the split of funding from various sources. The District had total revenues of \$1,122,858 of which \$1,091,832 was for governmental activities and \$31,026 was for business-type activities. The District's predominate revenues are related to property taxes at 39% of total revenue and state formula aid at 34% of total revenue.



Total revenues surpassed expenses, increasing net assets \$63,127 over last year. Governmental activities increased net assets by \$60,932, while business-type activities also had an increase in net assets of \$2,195.

The District's predominant expenses are related to instruction, with 58% of total expenses, as can be seen in Figure A-6. Another 35% is related to support services.



Governmental Activities

Revenues for governmental activities were \$1,091,832 while total expenses amounted to \$1,024,900.

Figure A-7 presents the cost of four major District activities: instruction, support services, non-instructional programs, and other expenses. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

| Figure A-7 | | |
|--|-----------------------------------|---------------------------------|
| Total and Net Cost of Governmental Activities | | |
| | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 611,643 | 409,781 |
| Support services | 369,061 | 367,912 |
| Other expenses | 44,196 | 10,079 |
| Totals | <u>\$ 1,024,900</u> | <u>787,772</u> |

- The cost of all governmental activities this year was \$1,024,900.
- Total costs of services were decrease by the following revenues: Federal and state government grants and contributions totaling \$205,343 and \$31,785 from charges from services.
- The net cost of governmental activities of \$787,772 was financed with \$443,593 in property tax and local option sales tax, \$383,918 in unrestricted state grants, and \$18,528 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$37,026 and expenses were \$34,831. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and interfund transfers. (See Figure A-4)

Charges for services were \$8,317 or 22.46% of revenue. This represents the amount paid by students/staff for daily food service. Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$13,706 or 37.02% of revenue.

Financial Analysis of the District's Funds

As previously noted, the Prescott Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$330,869, slightly below last year's ending fund balances of \$332,569.

Governmental Fund Highlights

- The General Fund balance decreased from \$216,747 in fiscal 2005 to \$191,798 in fiscal 2006. The District had an increase in revenues of over \$26,000. However, expenditures increased by almost \$13,000. The excess expenditures were funded by the fund balance, which is still at a healthy solvency ratio of 20%.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$21,275 in fiscal 2005 to \$43,504 in fiscal 2006. The District had an increase in revenues of over \$23,000, which was mainly due to receiving funds from a construction grant, which was completed in the prior fiscal year, but reimbursed to the district in the current fiscal year. Expenditures also increased by over \$17,000 as the district continued to update the facility and technology equipment. The district purchased twelve new computers, a new color laser printer, a new telephone system, a new school sign, a new PA system, and new multimedia projector.
- The Capital Projects Fund balance decreased from \$15,214 in fiscal 2005 to \$11,535 in fiscal 2006. This was the District's third year to receive Local Option Sales Tax money, which was used for repairing and replacing the final of our aging roofs, stage and library remodeling, and new bus barn doors.
- The Management Fund balance increased from \$78,851 in fiscal 2005 to \$83,225 in fiscal 2006. The District's revenues decreased by over \$5,000, due to a decrease in the amount the district requested to be levied. Expenditures increased by over \$1200, due to an increase in insurance costs.

Proprietary Fund Highlights

The School Nutrition Fund balance increased from \$3,574 to \$5,769. Revenues increased by over \$9100, due to a worker's compensation claim reimbursement. Expenditures increased by over \$9600, due to increased salary and benefits for substitute lunch personnel. Transfers from the General fund were increased in order to stabilize the Nutrition fund balance.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis.

The District's total actual receipts were approximately \$78,000 less than the total budgeted receipts, a variance of 6.5%. The most significant change resulted in the District receiving less in various components of state revenues than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the District had invested \$388,124, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, and equipment and furniture. (See Figure A-8) This amount represents a net increase of 19.1 percent from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was approximately \$44,000.

There was an increase in capital assets during the year in the buildings category. The District's buildings and improvements totaled \$255,220 at June 30, 2006, compared to \$202,713 at June 30, 2005. Some capital assets activities included revamping the driveways, a new flagpole, a new school sign, new sidewalks and basketball court, new bus barn doors, remodeling stage and library, new telephone system, twelve new computers, and resealing roofs.

| Figure A-8 Capital Assets, net of Depreciation | | | | | | | |
|---|----------------------------|---------|-----------------------------|-------|-------------------|---------|-----------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| Land | \$ 20,000 | 20,000 | - | - | 20,000 | 20,000 | 0.0% |
| Buildings | 255,220 | 202,713 | - | - | 255,220 | 202,713 | 25.9% |
| Equipment and furniture | 111,356 | 101,231 | 1,548 | 1,903 | 112,904 | 103,134 | 9.5% |
| Total | \$ 386,576 | 323,944 | 1,548 | 1,903 | 388,124 | 325,847 | 19.1% |

Long-Term Debt

At June 30, 2006, the District had no general obligation or other long-term debt outstanding.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced a slight decline in enrollment for the past three years, the District expects this to level off at or near the current level.
- The district will continue to improve the facilities with the use of the one-cent sales tax revenue. This will, in turn, increase the District's capital assets and will make the site more desirable as a junior high site if the District should happen to combine with another school district.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Baker, District Secretary/Treasurer and Business Manager, Prescott Community School District, 813 1st Street, Prescott, Iowa, 50859.

Basic Financial Statements

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 355,678 | 4,417 | 360,095 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 5,231 | - | 5,231 |
| Succeeding year | 387,469 | - | 387,469 |
| Local Option Sales & Services tax | 3,384 | - | 3,384 |
| Accounts | 11,578 | - | 11,578 |
| Interfund receivable | 10,000 | - | 10,000 |
| Inventories | - | 1,805 | 1,805 |
| Due from Other Governments | 381 | - | 381 |
| Capital assets, net of accumulated depreciation (note 5) | 386,576 | 1,548 | 388,124 |
| Total assets | 1,160,297 | 7,770 | 1,168,067 |
| Liabilities | | | |
| Accounts payable | - | 141 | 141 |
| Salaries and benefits payable | 45,383 | 1,860 | 47,243 |
| Interfund payable | 10,000 | - | 10,000 |
| Deferred revenue: | | | |
| Succeeding year property tax | 387,469 | - | 387,469 |
| Total liabilities | 442,852 | 2,001 | 444,853 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 386,576 | 1,548 | 388,124 |
| Unrestricted | 330,869 | 4,221 | 335,090 |
| Total net assets | \$ 717,445 | 5,769 | 723,214 |

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

| | | Program Revenues | |
|---|--------------|---------------------|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest |
| Functions/Programs | Expenses | | |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 471,837 | 17,651 | 146,040 |
| Special instruction | 131,068 | 13,849 | 24,322 |
| Other instruction | 8,738 | - | - |
| | 611,643 | 31,500 | 170,362 |
| Support Service: | | | |
| Instructional staff services | 67,490 | - | - |
| Administration services | 155,851 | - | - |
| Operating and maintenance of plant services | 68,374 | - | - |
| Transportation services | 77,346 | 285 | 864 |
| | 369,061 | 285 | 864 |
| Non-instructional programs | | | |
| | - | - | - |
| Other expenditures: | | | |
| Facilities acquisition | 10,079 | - | - |
| AEA flowthrough | 34,117 | - | 34,117 |
| | 44,196 | - | 34,117 |
| Total governmental activities | 1,024,900 | 31,785 | 205,343 |
| Business type activities: | | | |
| Non-instructional programs: | | | |
| Nutrition services | 34,831 | 8,317 | 13,706 |
| Total | \$ 1,059,731 | 40,102 | 219,049 |

Exhibit B

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------------------|-----------|
| Governmental Activities | Business Type Activities | Total |
| (308,146) | - | (308,146) |
| (92,897) | - | (92,897) |
| (8,738) | - | (8,738) |
| (409,781) | - | (409,781) |
| (67,490) | - | (67,490) |
| (155,851) | - | (155,851) |
| (68,374) | - | (68,374) |
| (76,197) | - | (76,197) |
| (367,912) | - | (367,912) |
| - | - | - |
| (10,079) | - | (10,079) |
| - | - | - |
| (10,079) | - | (10,079) |
| (787,772) | - | (787,772) |
| - | (12,808) | (12,808) |
| (787,772) | (12,808) | (800,580) |

Exhibit B

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

| | Program Revenues | | |
|---|------------------|---------------------|---|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest |
| Totals continued from previous pages | \$ 1,059,731 | 40,102 | 219,049 |
| General Revenues: | | | |
| Property tax levied for: | | | |
| General purposes | | | |
| Capital outlay | | | |
| Unrestricted state grants | | | |
| Unrestricted investment earnings | | | |
| Other | | | |
| Transfers between governmental and business | | | |
| Total general revenues | | | |
| Change in net assets | | | |
| Net assets beginning of year | | | |
| Net assets end of year | | | |
| See notes to financial statements. | | | |

Exhibit B

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------------------|-----------|
| Governmental Activities | Business Type Activities | Total |
| (787,772) | (12,808) | (800,580) |
| 352,238 | - | 352,238 |
| 91,956 | - | 91,956 |
| 383,918 | - | 383,918 |
| 17,927 | 20 | 17,947 |
| 8,665 | 8,983 | 17,648 |
| (6,000) | 6,000 | - |
| 848,704 | 15,003 | 863,707 |
| 60,932 | 2,195 | 63,127 |
| 656,513 | 3,574 | 660,087 |
| \$ 717,445 | 5,769 | 723,214 |

PRESCOTT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

| | General | Capital Projects | Manage- ment | PPEL | Nonmajor Special Revenue | Total |
|--|-------------------|---------------------|-----------------|---------------|--------------------------------|----------------|
| Assets | | | | | | |
| Cash and pooled investments | \$ 210,660 | 8,151 | 83,023 | 53,037 | 807 | 355,678 |
| Receivables: | | | | | | |
| Property tax: | | | | | | |
| Delinquent | 4,562 | - | 202 | 467 | - | 5,231 |
| Succeeding year | 338,760 | - | 14,133 | 34,576 | - | 387,469 |
| Local Option Sales & Services tax | - | 3,384 | - | - | - | 3,384 |
| Accounts | 11,578 | - | - | - | - | 11,578 |
| Interfund receivable | 10,000 | - | - | - | - | 10,000 |
| Intergovernmental receivable | 381 | | | | | 381 |
| Total assets | \$ 575,941 | 11,535 | 97,358 | 88,080 | 807 | 773,721 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Salaries and benefits payable | \$ 45,383 | - | - | - | - | 45,383 |
| Interfund payable | - | - | - | 10,000 | - | 10,000 |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | 338,760 | - | 14,133 | 34,576 | - | 387,469 |
| Total liabilities | 384,143 | - | 14,133 | 44,576 | - | 442,852 |
| Fund balances: | | | | | | |
| Fund balance: | | | | | | |
| Unreserved: | | | | | | |
| Undesignated | 191,798 | 11,535 | 83,225 | 43,504 | 807 | 330,869 |
| Total fund balances | 191,798 | 11,535 | 83,225 | 43,504 | 807 | 330,869 |
| Total liabilities and fund balances | \$ 575,941 | 11,535 | 97,358 | 88,080 | 807 | 773,721 |

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

| | |
|--|------------|
| Total fund balances of governmental funds (Exhibit C) | \$ 330,869 |
|--|------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

| |
|---------|
| 386,576 |
|---------|

| | |
|--|--------------------------|
| Net assets of governmental activities (Exhibit A) | <u><u>\$ 717,445</u></u> |
|--|--------------------------|

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 Year ended June 30, 2006

| | General | Capital Projects | Manage- ment | PPEL | Nonmajor Special Revenue | Total |
|--|------------|---------------------|-----------------|--------|--------------------------------|-----------|
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Local tax | \$ 337,278 | 57,432 | 14,961 | 34,524 | - | 444,195 |
| Tuition | 28,604 | - | - | - | - | 28,604 |
| Other | 21,213 | 601 | 3,611 | 2,022 | 1,780 | 29,227 |
| State sources | 522,869 | - | 10 | 23 | - | 522,902 |
| Federal sources | 44,684 | - | - | 22,220 | - | 66,904 |
| Total revenues | 954,648 | 58,033 | 18,582 | 58,789 | 1,780 | 1,091,832 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | 463,715 | - | 4,201 | - | - | 467,916 |
| Special instruction | 129,482 | - | - | - | - | 129,482 |
| Other instruction | 7,068 | - | - | - | 1,456 | 8,524 |
| | 600,265 | - | 4,201 | - | 1,456 | 605,922 |
| Support services: | | | | | | |
| Instructional staff services | 57,163 | - | - | 10,327 | - | 67,490 |
| Administration services | 148,233 | - | 1,297 | 14,455 | - | 163,985 |
| Operation and maintenance of plant services | 61,954 | - | 6,238 | - | - | 68,192 |
| Transportation services | 71,865 | - | 2,472 | - | - | 74,337 |
| | 339,215 | - | 10,007 | 24,782 | - | 374,004 |
| Non-instructional programs | - | - | - | - | - | - |
| Other expenditures: | | | | | | |
| Facilities acquisition | - | 61,712 | - | 11,777 | - | 73,489 |
| AEA flowthrough | 34,117 | - | - | - | - | 34,117 |
| | 34,117 | 61,712 | - | 11,777 | - | 107,606 |
| Total expenditures | 973,597 | 61,712 | 14,208 | 36,559 | 1,456 | 1,087,532 |
| Excess (deficiency) of revenues over (under) expenditures | (18,949) | (3,679) | 4,374 | 22,230 | 324 | 4,300 |
| Other financing uses: | | | | | | |
| Operating transfers out | (6,000) | - | - | - | - | (6,000) |
| Total other financing uses | (6,000) | - | - | - | - | (6,000) |
| Net change in fund balances | (24,949) | (3,679) | 4,374 | 22,230 | 324 | (1,700) |
| Fund balances beginning of year | 216,747 | 15,214 | 78,851 | 21,274 | 483 | 332,569 |
| Fund balances end of year | \$ 191,798 | 11,535 | 83,225 | 43,504 | 807 | 330,869 |

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (1,700)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | | | |
|----------------------|----|----------|--|--------|
| Capital outlays | \$ | 106,538 | | |
| Depreciation expense | | (43,906) | | 62,632 |
| | | | | 62,632 |

Change in net assets of governmental activities (Exhibit B) \$ 60,932

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

| | School Nutrition |
|---|---------------------|
| Assets | |
| Cash and pooled investments | \$ 4,417 |
| Inventories | 1,805 |
| Capital assets, net of accumulated depreciation | 1,548 |
| Total assets | <u>7,770</u> |
| Liabilities | |
| Accounts payable | 141 |
| Salaries and benefits payable | 1,860 |
| Total liabilities | <u>2,001</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 1,548 |
| Unrestricted | 4,221 |
| Total net assets | <u>\$ 5,769</u> |

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 Year ended June 30, 2006

| | <u>School Nutrition</u> |
|------------------------------------|-----------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | <u>\$ 8,317</u> |
| Operating expenses: | |
| Non-instructional programs | |
| Food Service operations: | |
| Salaries | 19,355 |
| Benefits | 5,007 |
| Services | 51 |
| Supplies | 10,063 |
| Depreciation | 355 |
| | <u>34,831</u> |
| Operating loss | <u>(26,514)</u> |
| Non-operating revenues: | |
| Local sources | 8,960 |
| State sources | 325 |
| Federal sources | 13,381 |
| Contributions from private sources | 23 |
| Interest Income | 20 |
| | <u>22,709</u> |
| Change in net assets | (3,805) |
| Other financing sources: | |
| Interfund transfers | 6,000 |
| Net assets beginning of year | <u>3,574</u> |
| Net assets end of year | <u><u>\$ 5,769</u></u> |

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
June 30, 2006

| | School Nutrition |
|---|---------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 8,317 |
| Cash paid to employees for services | (24,272) |
| Cash paid to suppliers for goods or services | (9,834) |
| Net cash used in operating activities | <u>(25,789)</u> |
| Cash flows from non-capital financing activities: | |
| Other local sources | 8,983 |
| State grants received | 325 |
| Federal grants received | 12,396 |
| Interfund transfers | 6,000 |
| Net cash provided by non-capital financing activities | <u>27,704</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>20</u> |
| Net increase in cash and cash equivalents | 1,935 |
| Cash and cash equivalents at beginning of year | <u>2,482</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 4,417</u></u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (26,514) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 985 |
| Depreciation | 355 |
| Decrease in receivables | 0 |
| Increase in inventories | (667) |
| Increase in salaries and benefits payable | 90 |
| Decrease in accounts payable | (38) |
| Net cash used in operating activities | <u><u>\$ (25,789)</u></u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet: | |
| Current assets: | |
| Cash and investments | \$ 4,417 |
| Cash and cash equivalents at year end | <u><u>\$ 4,417</u></u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$985 of federal commodities.

See notes to financial statements.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 June 30, 2006

| | Agency Fund |
|-----------------------------|--------------------|
| Assets | |
| Cash and pooled investments | \$ 1,833 |
| Total assets | <u>1,833</u> |
| Liabilities | |
| Other payables | <u>1,833</u> |
| Total liabilities | <u>1,833</u> |
| Net assets | <u><u>\$ -</u></u> |

See notes to financial statements

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(1) **Summary of Significant Accounting Policies**

Prescott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education. The geographic area served includes the City of Prescott, Iowa and the predominately agricultural territory in Adams County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Prescott Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Prescott Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Fund is a Special Revenue Fund used to account for revenues derived from specific services which are usually required by law or regulation to be accounted for in a separate fund.

The PPEL Fund is a Special Revenue Fund used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund whose focus is on net assets. The District's fiduciary fund is:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Currently the district has not established a written capitalization threshold policy. The general policy is to capitalize assets with an initial individual cost in excess of \$500 and estimated useful life in excess of two years. The district is currently in the process of establishing a written policy as such.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|----------------------------|--|
| Buildings and improvements | 20-40 years |
| Furniture and equipment | 5-20 years |

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees do not accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | |
|------------------------|------------------|
| Diversified Portfolio | \$231,689 |
| Certificate of Deposit | <u>100,000</u> |
| Total | <u>\$331,689</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------------|-----------------|
| General | Special Revenue: | |
| | Physical Plant and Equipment Levy | <u>\$10,000</u> |

The District approved the loan in a prior year. The terms of the loan include a repayment rate of \$10,000 per year plus 7% interest annually until paid off. Over the course of the current fiscal year, \$10,000 principle, plus interest was repaid.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|----------------|
| Proprietary Fund: | | |
| School Nutrition | General | <u>\$6,000</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The board voted to raise meal prices in an effort to see the School Nutrition fund become self-supporting.

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|------------------------------|-----------|-----------|------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 20,000 | - | - | 20,000 |
| Total capital assets not being depreciated | 20,000 | - | - | 20,000 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 466,977 | 67,129 | - | 534,106 |
| Furniture and equipment | 304,940 | 39,409 | 35,884 | 308,465 |
| Total capital assets being depreciated | 771,917 | 106,538 | 35,884 | 842,571 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 264,263 | 14,623 | - | 278,886 |
| Furniture and equipment | 203,710 | 29,283 | 35,884 | 197,109 |
| Total accumulated depreciation | 467,973 | 43,906 | 35,884 | 475,995 |
| Total capital assets being depreciated, net | 303,944 | 62,632 | - | 366,576 |
| Governmental activities capital assets, net | \$ 323,944 | 62,632 | - | 386,576 |
| Business type activities: | | | | |
| Furniture and equipment | \$ 7,432 | - | - | 7,432 |
| Less accumulated depreciation | 5,529 | 355 | - | 5,884 |
| Business type activities capital assets, net | \$ 1,903 | (355) | - | 1,548 |
| Depreciation expense was charged by the District as follows: | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | | | \$ | 15,219 |
| Special | | | | 1,585 |
| Other | | | | 214 |
| Support services: | | | | |
| Administration | | | | 2,010 |
| Operation and maintenance of plant | | | | 182 |
| Transportation | | | | 17,509 |
| Facilities Acquisition | | | | 7,187 |
| | | | | 43,906 |
| Unallocated depreciation | | | | - |
| Total governmental activities depreciation expense | | | \$ | 43,906 |
| Business type activities: | | | | |
| Food services | | | \$ | 355 |

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306 9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$23,365, \$22,527, and \$22,394, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$34,117 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Operating Lease

The District entered into a five-year agreement which expires in March, 2010 for the lease of its copy equipment. The agreement requires minimum base rents at a monthly rate plus fees based on usage. The total minimum lease commitment under the agreement is as follows:

| Year ending June 30, | Minimum lease payments |
|----------------------------|---------------------------|
| 2007 | \$ 3,552 |
| 2008 | 3,552 |
| 2009 | 3,552 |
| 2010 | 2,664 |
| | <u>\$ 13,320</u> |

The total lease expense for the year ended June 30, 2006 was \$3,552.

Required Supplementary Information

PRESCOTT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
 FUND TYPES AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended June 30, 2006

| | Governmental Fund Types- Actual | Proprietary Fund Type- Actual | Total Actual | Budget | Final to Actual Variance- Positive (Negative) |
|--|---------------------------------------|-------------------------------------|--------------|-----------|--|
| Revenues: | | | | | |
| Local sources | \$ 499,740 | 17,320 | 517,060 | 497,641 | 19,419 |
| State sources | 522,521 | 325 | 522,846 | 632,472 | (109,626) |
| Federal sources | 66,904 | 12,396 | 79,300 | 67,000 | 12,300 |
| Total revenues | 1,089,165 | 30,041 | 1,119,206 | 1,197,113 | (77,907) |
| Expenditures: | | | | | |
| Instruction | 608,425 | - | 608,425 | 997,209 | 388,784 |
| Support services | 376,684 | - | 376,684 | 398,000 | 21,316 |
| Noninstructional programs | - | 34,106 | 34,106 | 41,377 | 7,271 |
| Other expenditures | 107,606 | - | 107,606 | 133,460 | 25,854 |
| Total expenditures | 1,092,715 | 34,106 | 1,126,821 | 1,570,046 | 443,225 |
| Excess (deficiency) of revenues over (under) expenditures | (3,550) | (4,065) | (7,615) | (372,933) | 365,318 |
| Other financing sources, net | (6,000) | 6,000 | - | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (9,550) | 1,935 | (7,615) | (372,933) | 365,318 |
| Balances beginning of year | 365,228 | 2,482 | 367,710 | 385,636 | (17,926) |
| Balances end of year | \$ 355,678 | 4,417 | 360,095 | 12,703 | 347,392 |

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2006

| Governmental Fund Types | | | | | | |
|--------------------------------|------------|---------------------|------------------------|------------|---------------------|------------------------|
| General | | | Special Revenue | | | |
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 952,078 | 2,570 | 954,648 | 79,290 | (139) | 79,151 |
| Expenditures | 976,243 | (2,646) | 973,597 | 54,760 | (2,537) | 52,223 |
| Net | (24,165) | 5,216 | (18,949) | 24,530 | 2,398 | 26,928 |
| Other financing sources (uses) | 4,000 | (10,000) | (6,000) | (10,000) | 10,000 | - |
| Beginning fund balances | 230,825 | (14,078) | 216,747 | 122,337 | (21,729) | 100,608 |
| Ending fund balances | \$ 210,660 | (18,862) | 191,798 | 136,867 | (9,331) | 127,536 |

| Governmental Fund Types | | | | | | |
|--------------------------------|------------|---------------------|------------------------|------------|---------------------|------------------------|
| Capital Projects | | | Total | | | |
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 57,797 | 236 | 58,033 | 1,089,165 | 2,667 | 1,091,832 |
| Expenditures | 61,712 | - | 61,712 | 1,092,715 | (5,183) | 1,087,532 |
| Net | (3,915) | 236 | (3,679) | (3,550) | 7,850 | 4,300 |
| Other financing sources (uses) | - | - | - | (6,000) | - | (6,000) |
| Beginning fund balances | 12,066 | 3,148 | 15,214 | 365,228 | (32,659) | 332,569 |
| Ending fund balances | \$ 8,151 | 3,384 | 11,535 | 355,678 | (24,809) | 330,869 |

| Proprietary Fund Type | | | |
|--------------------------------|------------|---------------------|------------------------|
| Enterprise | | | |
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 30,041 | 985 | 31,026 |
| Expenses | 34,106 | 725 | 34,831 |
| Net | (4,065) | 260 | (3,805) |
| Other financing sources (uses) | 6,000 | - | 6,000 |
| Beginning retained earnings | 2,482 | 1,092 | 3,574 |
| Ending retained earnings | \$ 4,417 | 1,352 | 5,769 |

PRESCOTT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

PRESCOTT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year ended June 30, 2006

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|-----------------------------|---------------------------------|--------------|--------------|---------------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 3,138 | 8,247 | 9,553 | 1,832 |
| Total assets | \$ 3,138 | 8,247 | 9,553 | 1,832 |
| Liabilities | | | | |
| Liabilities: | | | | |
| Other payables | \$ 3,138 | 8,247 | 9,553 | 1,832 |
| Total liabilities | \$ 3,138 | 8,247 | 9,553 | 1,832 |

See accompanying independent auditor's report.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

| | Modified Accrual Basis | | | | |
|---|------------------------|-----------|-----------|-----------|-----------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 444,195 | 396,154 | 426,058 | 511,255 | 477,271 |
| Tuition | 28,604 | 15,304 | 37,595 | 41,294 | 26,207 |
| Other | 29,227 | 56,148 | 16,046 | 11,616 | 51,574 |
| Intermediate sources | - | - | 150 | - | - |
| State sources | 522,902 | 512,440 | 467,726 | 463,612 | 449,117 |
| Federal sources | 66,904 | 47,684 | 79,663 | 67,230 | 23,225 |
| Total | 1,091,832 | 1,027,730 | 1,027,238 | 1,095,007 | 1,027,394 |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 467,916 | 475,073 | 453,652 | 512,219 | 418,379 |
| Special instruction | 129,482 | 140,840 | 129,003 | 118,326 | 97,333 |
| Other instruction | 8,524 | 45,329 | 62,309 | 57,289 | 57,418 |
| Support services: | | | | | |
| Student services | - | - | - | - | 7,211 |
| Instructional staff services | 67,490 | 26,287 | 5,171 | 3,142 | 1,636 |
| Administration services | 163,985 | 152,885 | 140,753 | 138,267 | 140,972 |
| Operation and maintenance of plant services | 68,192 | 58,444 | 58,242 | 57,708 | 48,723 |
| Transportation services | 74,337 | 55,631 | 52,619 | 118,351 | 96,985 |
| Central support | - | - | - | - | 88 |
| Non-instructional programs | - | 288 | 236 | 359 | - |
| Other expenditures: | | | | | |
| Facilities acquisition | 73,489 | 40,522 | 101,136 | 18,467 | 41,067 |
| AEA flowthrough | 34,117 | 33,187 | 32,909 | 35,085 | 34,449 |
| Total | \$ 1,087,532 | 1,028,486 | 1,036,030 | 1,059,213 | 944,261 |

See accompanying independent auditor's report.

Schedule 3

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2006

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------|---------------------------------|--------------|--------------|------------------------|
| Senior High | | | | |
| Pre-School | \$ (52) | 52 | - | - |
| Book Sales | - | 1,138 | 1,138 | - |
| Student Accounts | 102 | 262 | 120 | 244 |
| Band | 433 | 328 | 198 | 563 |
| Total | <u>\$ 483</u> | <u>1,780</u> | <u>1,456</u> | <u>807</u> |

See accompanying independent auditor's report.

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Prescott Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Prescott Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated August 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prescott Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Prescott Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Prescott Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

August 1, 2006

PRESCOTT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

II-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in Federal Awards.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, did not exceed the amounts budgeted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

PRESCOTT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

- IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-06 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-06 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-06 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.